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Subchapter 33A FERS

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Subchapter 33A FERS
Part 33A1 General Information

Section 33A1.1-1 Overview

A. Introduction

Subchapter 33A outlines the rules and policies covering the return of excess CSRS retirement deductions to certain eligible FERS transferees and those employees automatically covered by FERS. This subchapter also covers the return of excess military service credit deposits to FERS employees who were automatically converted to FERS or who elect(ed) to transfer to FERS.

The return of excess contributions applies only to FERS. There is no comparable provision under CSRS. Therefore, there is no CSRS subchapter on return of excess deductions.

B. Topics Covered

This subchapter covers --

- The eligibility requirements for a return of excess CSRS deductions and the amount of the return;
 - The eligibility requirements for a return of excess military service credit deposits and the amount of the return; and
 - The procedures that must be followed for a return of excess CSRS deductions or excess military service credit deposits.
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Section 33A1.1-1 Overview (Cont.)**C. Organization of Subchapter** This subchapter has four parts.

Part	Name of Part	Page
33A1	General Information	1
33A2	Return of Excess CSRS Retirement Deductions	5
33A3	Return of Excess Military Service Credit Deposits	13
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D. Statement of Authority

This subchapter is based on the laws and regulations cited below.

- United States Code: 5 U.S.C. 8331(8) and 8342(a) and 8411(a) & (c)
- Section 302(c) of Public Law 99-335, as amended by section 119 of Public Law 100-238
- Code of Federal Regulations: 5 CFR 842.308 and Subpart D of 5 CFR 846

Section 33A1.1-2 Background

A. Excess CSRS Deductions

Certain employees who transfer to FERS or who are automatically covered under FERS may receive service credit under FERS rules for some or all of their previous civilian service during which CSRS deductions were made. These employees are eligible for a return of excess deductions.

For employees who are automatically covered under FERS, excess deductions consist of deductions exceeding 1.3 percent of basic pay, plus interest.

For employees who transfer to FERS, excess deductions consist of the amount of deductions actually withheld less the amount that would have been withheld under FERS withholding provisions for service after 1986 and 1.3 percent of basic pay for service before 1987, plus interest. (For pre-1987 service, 1.3 percent is the hypothetical FERS deduction rate.)

The following table lists employee deduction rates for CSRS and CSRS Interim/Offset service and the FERS deduction (or hypothetical deduction) rate for transferees.

Year	CSRS Only	CSRS Interim/Offset	FERS
1970-1983	7%, 7.5%, or 8% of basic pay	N/A	1.3% of basic pay
1984-1986		1.3% of basic pay	1.3% of basic pay
1987		1.3%, 1.8%, or 2.3% of basic pay (see Note 2)	1.3% or 1.8% of basic pay
1988-1989		.94%, 1.44%, or 1.94% of basic pay (see Note 2)	.94% or 1.44% of basic pay
1990 and later		.8%, 1.3%, or 1.8% of basic pay (see Note 2)	.8% or 1.3% of basic pay

Section 33A1.1-2 Background (Cont.)

A. Excess CSRS Deductions (Cont.)	<p>NOTE 1: See Chapter 30, Employee Deductions and Agency Contributions, for information regarding which employees are subject to the various deduction levels.</p> <p>NOTE 2: CSRS Offset employees contribute the designated amounts of basic pay listed in the table above until basic pay equals the Social Security maximum taxable amount; thereafter, they contribute at the full CSRS rate (7, 7.5, or 8 percent as applicable). A table of Social Security maximum taxable amounts is located in section 30C1.1-1 of Chapter 30.</p>
B. How Excess CSRS Deductions Are Derived	Returns of excess CSRS deductions are paid by OPM based upon information provided by agencies and retirement records held by OPM.
C. Civilian Service Credit Deposits and Redeposits Made Under CSRS	Employees who have paid deposits or redeposits under CSRS rules to OPM for service that is now subject to FERS computational rules are also eligible for a return of any monies paid in excess of 1.3 percent or the appropriate FERS deduction rate(s), as applicable, plus interest.
D. Military Service Credit Deposits	<p>Rather than the 7 percent of basic pay required of CSRS employees, FERS-covered employees pay 3 percent for post-1956 military service. Employees who are automatically covered by FERS and employees who elect to transfer to FERS and are not entitled to a CSRS annuity component are eligible for a return of military service deposits that exceed 3 percent (excluding interest).</p>
	<p>The FERS law does not provide for the payment of interest on excess military service credit deposits. Returns of excess CSRS military service credit deposits are paid by the employing agency if it has all necessary records regarding the deposits made by the employee. Otherwise, OPM pays the return.</p>

Part 33A2 Return of Excess CSRS Retirement Deductions

Section 33A2.1-1 Eligibility Requirements

**A. Who May
Receive a Return
of Excess
Deductions**

There are four groups of employees or former employees who are (or were) eligible for a return of excess CSRS deductions. These groups are discussed further in paragraphs B through G below. In determining whether an employee has 5 or more years of service (other than service covered by both CSRS and Social Security), include all refunded service and service covered only by Social Security.

Group 1: Employees were paying full (7 or 7.5 percent) CSRS contributions at the time they transferred to FERS and had less than 5 years of creditable civilian service other than service covered by both CSRS and Social Security as of the effective date of their transfer to FERS.

Group 2: Employees who were under CSRS Offset provisions when they transferred to FERS and who have less than 5 years of creditable civilian service other than service covered by both CSRS and Social Security, or whose basic pay exceeded the Social Security maximum taxable amount while they were covered under CSRS Offset, as of the effective date of their transfer to FERS.

Group 3: Employees who were automatically covered by FERS on January 1, 1987, or automatically covered upon rehire or conversion and have prior paid service at the full CSRS deduction rate.

Group 4: Senior Officials such as Presidential appointees, Federal Judges, Members of Congress, and non-career SES and Foreign Service employees who elected to transfer from full CSRS coverage to reduced CSRS coverage or FERS during the 1987 open season.

NOTE: Information about returns of excess contributions for Senior Officials is contained in Chapter 101, Special Retirement Provisions for Senior Officials, section 101A4, Service Credit and Return of Excess Deductions.

Section 33A2.1-1 Eligibility Requirements (Cont.)**B. Group 1 (CSRS Transferees)**

This group of transfer employees eligible for a return of excess deductions includes those who have, on the effective date of transfer to FERS:

- **Less than 5 years** of creditable civilian service other than service covered by both CSRS and Social Security; and
- Past service covered by full CSRS deductions (7 or 7.5 percent).

Many employees in this group began creditable civilian service between the dates of July 1, 1982, and December 31, 1983, and transferred to FERS during the 1987 open season.

NOTE: Determination of eligibility for a return is based on the effective date of the transfer, **not** the date the employee signed or submitted the election form.

C. Examples of Group 1 (CSRS Transferees)**EXAMPLE 1: Pamela Watson****Service History**

10-15-82 to 8-31-87 CSRS (7%) and
no Social Security

9-1-87 Transfer to FERS

Since Pamela's total civilian service (4 years 10 months 16 days) was less than 5 years as of the effective date of her transfer to FERS (9-1-87), all service is redesignated as FERS. She **is eligible** for a return of the difference between the full CSRS rate of 7 percent and the applicable FERS deduction rate of 1.3 percent of basic pay for the entire period from 10-15-82 to 8-31-87. All of Pamela's service is subject to FERS rules for annuity computation purposes.

EXAMPLE 2: Kevin Olson**Service History**

7-1-82 to 9-30-87 CSRS (7.5%) and
no Social Security

10-1-87 Transfer to FERS

Section 33A2.1-1 Eligibility Requirements (Cont.)

**C. Examples of
Group 1 (CSRS
Transferees)
(Cont.)**

Since Kevin had more than 5 years of CSRS service (5 years 3 months) prior to the effective date of the transfer to FERS (10-1-87), he **is not eligible** for a return of excess CSRS deductions. Kevin's service from 7-1-82 to 9-30-87 remains subject to CSRS rules and he will have a CSRS component in his FERS annuity when he retires.

EXAMPLE 3: Richard Shelton

Service History

4-30-70 to 9-3-72	CSRS (7%), refunded upon separation
1-1-75 to 2-1-77	Rehired on temporary appointment, under Social Security only
2-2-77 to 7-3-87	Converted to full CSRS, with no Social Security
7-4-87	Transfer to FERS

Richard had over 14 years of service subject to CSRS prior to the effective date of his transfer to FERS (7-4-87) and will have a CSRS annuity component. He **is not eligible** for a return of excess CSRS deductions because all creditable service prior to transfer to FERS will be used in the CSRS component.

**D. Group 2 (CSRS
Offset
Transferees)**

This group of transfer employees must meet one of the following criteria to be eligible for a return of excess deductions:

1. On the effective date of transfer to FERS, have
 - **Less than 5 years** of creditable civilian service other than service covered by both CSRS and Social Security; and
 - Past service covered by full CSRS deductions; or
 2. Regardless of length of service other than service covered by both CSRS and Social Security, performed CSRS Offset service after 1986 for which CSRS deductions exceeded the amount due under FERS provision.
-

Section 33A2.1-1 Eligibility Requirements (Cont.)**E. Examples of
Group 2 (CSRS
Offset
Transferees)****EXAMPLE 1: Larry Kennan****Service History**

12-1-77 to 10-31-82	CSRS (7%) and no Social Security
1-5-84 to 12-31-86	Interim CSRS with Social Security
1-1-87 to 7-18-87	CSRS Offset with Social Security
7-19-87	Transfer to FERS

Since the service for which full CSRS deductions were withheld (12-1-77 to 10-31-82) was less than 5 years (4 years 11 months), all of his service is redesignated as FERS and Larry **is entitled** to a return of the excess CSRS deductions made during the period of 12-1-77 to 10-31-82 (provided he has not already received a refund of the deductions). He is not entitled to a return for the periods from 1-5-84 to 12-31-86 because the amount withheld is equal to the amount due under FERS provisions.

NOTE: Larry also may be entitled to a return of excess CSRS deductions in 1987 if his basic pay exceeded the Social Security maximum taxable amount causing his retirement contributions to increase to 7 percent.

EXAMPLE 2: Lidia Montes**Service History**

6-1-78 to 7-15-83	CSRS (7%) and no Social Security
10-15-84 to 7-18-87	Interim and Offset CSRS with Social Security
7-19-87	Transfer to FERS

Lidia's full CSRS deduction service (6-1-78 to 7-15-83) exceeds 5 years (5 years 1 month 11 days). Since she will receive an annuity with a CSRS component, Lidia **is not eligible for a return** of CSRS deductions for the period 6-1-78 to 7-15-83. Lidia's salary did not reach the Social Security maximum taxable amount during her CSRS Offset service in 1987. Therefore, she had no excess deductions in 1987.

Section 33A2.1-1 Eligibility Requirements (Cont.)

**E. Examples of
Group 2 (CSRS
Offset
Transferees)
(Cont.)**

EXAMPLE 3: **Bob Smith**

Service History

7-1-77 to 10-31-82	CSRS
1-5-84 to 12-31-86	Interim CSRS with Social Security
1-1-87 to 4-5-89	CSRS Offset with Social Security (Bob is a GM 15)
7-20-89 to 7-31-89	Rehired, CSRS Offset with Social Security
8-1-89	Transfer to FERS

Bob had 5 years of service subject to full CSRS and will have a CSRS annuity component. Therefore, there are no excess deductions for the period of full CSRS coverage. However, Bob's pay in 1987 and 1988 exceeded the Social Security maximum taxable amount, resulting in CSRS deductions that exceeded the FERS deductions that now apply.

Bob is eligible for a return of excess deductions equal to the difference between (1) the amount of CSRS Offset deductions withheld for the periods from 1-1-87 through 4-5-89 and (2) the amount of FERS deductions that now apply to that period. The difference in 1987 is 5.7 percent (7.0 percent – 1.3 percent) of the basic pay in excess of the Social Security maximum taxable amount of \$43,800. The difference in 1988 is 6.06 percent (7.0 percent – .94 percent) of the basic pay in excess of the Social Security maximum taxable amount of \$45,000. Since Bob did not exceed the 1989 maximum taxable amount before transferring to FERS, there are no excess contributions in 1989. Also, there are no excess contributions for the period from 1-5-84 through 12-31-86 since Bob's CSRS Interim deductions equal the amount due under FERS (both at 1.3 percent).

**F. Group 3
(Automatically
FERS)**

Employees who were **automatically covered by FERS on January 1, 1987**, or upon rehire or conversion, and have prior paid service at the full CSRS deduction rate are eligible for a return of excess deductions equal to the CSRS deductions exceeding 1.3 percent of basic pay, plus interest.

Section 33A2.1-1 Eligibility Requirements (Cont.)**G. Example of
Group 3
(Automatically
FERS)****EXAMPLE: Ronald Aguilien****Service History**

6-3-82 to 2-15-83 CSRS

8-2-87 Rehired, Automatically FERS

Ronald paid full CSRS deductions from 6-3-82 to 2-15-83 and was automatically covered under FERS when he was rehired on 8-2-87. All of his service is redesignated as FERS and he is entitled to a return of the excess CSRS deductions made during the period of full CSRS coverage (provided he has not already received a refund of the deductions). The return is 5.7 percent (7 percent minus 1.3 percent) of Ronald's basic pay during the period, plus interest. (See section 33A2.1-2C.)

**H. Who May Not
Receive a Return
of Excess
Deductions**Returns of excess deductions are **not** payable to:

1. Individuals first hired on or after January 1, 1984, who had no prior creditable civilian service at the time they were hired.
 2. Employees who have no full CSRS or CSRS Interim/Offset service that becomes subject to FERS rules when FERS coverage begins.
 3. Individuals who are eligible for a CSRS component in their FERS annuity and who have no CSRS Interim/Offset service.
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Section 33A2.1-2 Amount of Return - Excess CSRS Deductions

A. Amount of Return (Groups 1, 2, and 3)

The amount of the return of excess deductions for employees who transferred to FERS (Groups 1 and 2) is the difference between the amount of CSRS deductions and deposits to the employee's credit and the FERS contribution amount (or 1.3 percent of basic pay for service before 1987), plus interest on the excess deductions.

The amount of the return for employees who were automatically covered by FERS (Group 3) is the difference between the amount deducted and 1.3 percent of basic pay, plus interest on the excess deductions.

B. Interest Rate on Return of Excess CSRS Deductions (Groups 1 and 2)

Interest is computed in a manner similar to that for a normal refund of CSRS retirement deductions, except that (1) the variable interest rate is used after 1984 (see below) and (2) interest is payable regardless of length of service. Interest accrues monthly and is compounded annually through the end of the month prior to payment or to the date of separation from Federal service, whichever is earlier.

The FERS law requires OPM to pay interest on the returnable CSRS deductions for Groups 1 and 2 at the rate of:

- 4 percent a year through December 31, 1947;
- 3 percent a year from January 1, 1948, through December 31, 1984; and
- A variable interest rate, determined annually by the Department of the Treasury based on the average yield of new Retirement Fund investments purchased during the previous fiscal year, for years after 1984.

Variable Interest Rates			
Year	Interest Rate	Year	Interest Rate
1985	13.0%	1991	8.625%
1986	11.125%	1992	8.125%
1987	9.0%	1993	7.125%
1988	8.375%	1994	6.25%
1989	9.125%	1995	7.0%
1990	8.75%	> 1996	6.875% <
		All future periods	To be determined by the Department of the Treasury

Section 33A2.1-2 Amount of Return - Excess CSRS Deductions (Cont.)

C. Interest Rate on Return of Excess CSRS Deductions (Group 3)	Interest is computed in a manner similar to that for a normal refund of CSRS retirement deductions. No interest is payable if the period of service is less than a year. Interest accrues monthly and is compounded annually through the end of the month prior to payment or to the date of separation from Federal service, whichever is earlier. For Group 3, the interest rate is 4 percent a year to December 31, 1947, and 3 percent thereafter.
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Part 33A3 Return of Excess Military Service Credit Deposits

Section 33A3.1-1 Eligibility Requirements

- | | |
|---|---|
| A. Who May Receive a Return of Excess Military Service Credit Deposits | Any employee who has paid more than 3 percent of military basic pay for military service credit deposits for service that is subject to FERS computation rules is eligible for a return of the excess deposits. (See Chapter 22, Creditable Military Service, part 22B2.) |
| <hr/> | |
| B. Who May Not Receive a Return of Excess Military Service Credit Deposits | Employees who transfer to FERS and have military service performed before the effective date of the transfer credited in the CSRS component are not eligible for a return of excess military service credit deposits. |
-

Section 33A3.1-2 Amount of Return - Military Service Credit Deposits

**A. Computation of
the Excess
Military Service
Credit Deposit
Return**

Generally, for each eligible employee who has a military service credit deposit account, agencies must --

1. Determine what, if any, military service for which a CSRS deposit has been made is subject to FERS rules.
2. From the employee's Military Deposit Worksheet (OPM Form 1514), determine the amount paid under CSRS rules for the post-1956 military service that is now creditable under FERS rules.
3. Compute the amount due for the service under FERS rules. (See Subchapter 23B of Chapter 23, Service Credit Payments for Post-1956 Military Service.)

NOTE: The initial Interest Accrual Date (IAD) for the computation under FERS is different than the initial IAD used for the CSRS computation. (The IAD is the date each year when interest is assessed on the outstanding balance owed on the employee's account. See subchapter 23B of Chapter 23 for instructions on computing the IAD under FERS.)

4. Subtract the amount due under FERS from the amount paid under CSRS. The difference is the return due to the employee.

NOTE: See the examples that follow.

**Section 33A3.1-3 Examples of Situations Resulting in a Return of
Excess Military Service Credit Deposits**

A. Example A

Kristin Randall

Service and Deposit History:

1-1-55 to 12-31-57	Active Duty Military
8-1-83	Full CSRS coverage
9-30-86	Paid Total Military Service Credit Deposit (\$350)
7-5-87	Transfer to FERS

Excess Deposit to be Returned = \$200

Kristin Randall was first employed under CSRS on 8-1-83, had 1 year of post-1956 military service and paid the full military deposit due on 9-30-86. The amount of basic pay earned during military service from 1-1-57 to 12-31-57 was \$5,000. The amount of deposit to receive CSRS credit for that year of military service was \$350 (\$5,000 x 7%). Since Kristin paid the deposit before her initial Interest Accrual Date (IAD) of 10-1-86, no interest was charged.

Kristin transferred to FERS on 7-5-87. Since she had less than 5 years of creditable civilian service, all civilian and military service are subject to FERS rules. Under FERS rules, Kristin needs to pay only \$150 (\$5,000 x 3%) for the military service credit deposit. Thus, she is eligible for a return of the excess military deposit amount of \$200 (\$350 – \$150). In addition, she is eligible for a return of excess deductions for her civilian service.

**Section 33A3.1-3 Examples of Situations Resulting in a Return of
Excess Military Service Credit Deposits (Cont.)****B. Example B Alexandra Thadeus****Service and Deposit History:**

1-1-55 to 12-31-57	Active Duty Military
8-1-83	Full CSRS coverage
11-1-86	Paid \$100 to Military Service Credit Deposit Account
7-5-87	Transfer to FERS

Return of Excess Deposit = None

Alexandra Thadeus was first employed under CSRS on 8-1-83, had 1 year of post-1956 military service and paid \$100 to her military service credit deposit account on 11-1-86. The payment was made after the initial IAD; therefore, interest was charged to Alexandra's account. The amount of basic pay earned during military service from 1-1-57 to 12-31-57 was \$5,000. The deposit necessary to receive CSRS credit for that year of military service was \$390.58 ($\$5,000 \times 7\% = \350) plus ($\$350 \times 11.594\% = \40.58).

Alexandra transferred to FERS on 7-5-87. Since she had less than 5 years of creditable civilian service, all civilian and military service is credited under FERS rules. Under FERS rules, Alexandra needs to pay \$150 ($\$5,000 \times 3\%$). Therefore, she owes a balance of \$50 ($\$150 - \100). No interest is assessed if she makes the payment in full before her IAD of July 5, 1990 (see note below).

NOTE: FERS rules provide that a FERS employee's interest-free grace period for FERS military deposit expires on the later of:

- January 1, 1989, or
- 2 years after the employee first becomes subject to FERS.

Since interest accrues and compounds annually, no interest is charged until 1 year after the end of the grace period (January 1, 1990, at the earliest).

**Section 33A3.1-3 Examples of Situations Resulting in a Return of
Excess Military Service Credit Deposits (Cont.)**

C. Example C Lewis Thompson

Service and Deposit History:

1-1-55 to 12-31-57	Active Duty Military
3-1-86	Interim CSRS/Social Security coverage in Agency ABC
9-30-86	Paid Total Military Service Credit Deposit (\$350)
1-1-87	Automatically Converted to FERS
2-15-87	Transferred to Agency XYZ
6-12-87	Applied for return of excess military deposit

Return of Excess Deposit = \$200

Lewis Thompson was first employed in agency ABC under the interim provisions on 3-1-86, had 1 year of post-1956 military service, and paid the full military deposit due on 9-30-86. The amount of basic pay earned during military service from 1-1-57 to 12-31-57 was \$5,000.

The amount of deposit to receive credit for that year of military service was \$350 (\$5,000 x 7%). Lewis paid the \$350 deposit on September 30, 1986, before his initial Interest Accrual Date (IAD) of 10-1-86.

On 1-1-87, Lewis was automatically converted to FERS. Since he had less than 5 years of creditable civilian service, all civilian and military service is credited under FERS rules. Under FERS rules, Lewis needs to pay only \$150 (\$5,000 x 3%) for the military service credit deposit. Lewis transferred to agency XYZ on 2-15-87, so agency ABC had closed out his records and sent them to OPM. Therefore, when Agency XYZ receives Lewis' application for return of the excess on 6-12-87, the agency forwards Lewis' application to OPM, which authorizes payment of \$200 to him.

Part 33A4 Procedures**Section 33A4.1-1 Employee Responsibility**

A. Employees Must Complete an Application

In order to apply for a return of either excess CSRS deductions or excess military service credit deposits, employees must complete OPM Form 1562, Application for Return of Excess Retirement Deductions, and submit it to an authorized agency official.

NOTE 1: Subchapter 33B contains a copy of OPM Form 1562, Application for Return of Excess Retirement Deductions. This form may be reproduced locally.

NOTE 2: Notification of a current or former spouse is not required in order to receive a return of excess deductions.

1. The return of excess CSRS deductions is made by OPM.
 2. The return of excess military service credit deposits is made by either OPM or by the employing agency. If all the necessary records pertaining to the military service deposit are available to the employing agency, the agency returns the excess. Otherwise, OPM processes the application and authorizes the payment.
-

Section 33A4.1-2 Agency Responsibility

- A. Documentation of the SF 50** The agency must enter a remark on the SF 50 that transfers the employee to FERS as instructed in Chapter 28 of The Guide to Processing Personnel Actions (formerly FPM Supplement 296-33). If the employee is eligible for a return upon transfer to FERS, the remark is "previously covered--return eligible." Payroll offices may use this remark to determine the eligibility of employees who apply for a return of excess deductions.
-
- B. Return Procedures** The employing office must follow the procedures given below to process excess CSRS deductions return applications for employees in eligibility groups 1, 2, and 3 listed in section 33A2.1-1.
1. Accept Application for Return of Excess Retirement Deductions (OPM Form 1562).

Eligible employees must submit OPM Form 1562 to the employing office in order to obtain a return from OPM.
 2. Verify return eligibility.

Search the employee's Official Personnel Folder (OPF) for all creditable civilian service regardless of where performed and ensure that the appropriate remark (as specified in paragraph A above) is indicated on the transfer SF 50.
 3. Match application with SF 2806.

Upon receipt of the application, match the information contained on the application with that shown on the SF 2806 along with information obtained from the OPF to ensure eligibility for the return.
 4. Complete the back of the OPM Form 1562.
 5. If the employee is eligible for a return of excess CSRS deductions or excess military service deposit payments for which the agency does not have all the necessary records, certain forms must be forwarded to OPM.

Section 33A4.1-2 Agency Responsibility (Cont.)**B. Return
Procedures
(Cont.)**

Send the closed out and certified SF 2806, the military service deposit record, if applicable, and the application together, under the cover of a separate FERS Register of Separations and Transfers (SF 3103) to:

**Office of Personnel Management
Retirement Operations Center
P.O. Box 45
Boyers, PA 16017**

6. OPM computes the amount of the return due and authorizes payment to the employee.
7. If the employee is eligible for a return of **military** service credit deposit payments and all the necessary records are available to the agency, the agency computes the amount of the return due and authorizes/issues a check to the individual for the amount of the return. See paragraphs C and D below for instructions on how to adjust the financial records.
8. If the employee is **not** eligible for a return, notify the employee in writing of this decision and of his or her right to request OPM to reconsider the agency decision. The agency decision must be in writing, state the reason for the denial, and inform the employee of the time limit for requesting reconsideration, and of the agency address to send a reconsideration request. Subchapter B of this Chapter contains a sample denial letter that agencies may use.

**C. Agency
Reimbursement
for Return of
Excess Military
Service Credit
Deposits**

To be reimbursed, the agency includes the amount of the excess military service credit deposit return on the Report of Withholdings and Contributions for Health Benefits, Group Life Insurance and Retirement (SF 2812) as a **negative** amount on the FERS "Military Deposit" line.

The SF 2812 must be accompanied by a report identifying the following itemized by name:

- The amount of return to each individual;
- Date of birth;
- Social Security number; and
- The total amount of reimbursement.

Section 33A4.1-2 Agency Responsibility (Cont.)

- D. Agency Procedure Following Return of Excess Military Service Credit Deposits**
- After the military service credit deposit return is paid, the agency must:
1. Record the return as a **negative** amount in the "Calendar Year Salary Deductions" column on the applicable military service deposit SF 2806.
 2. Under the "Remarks" column:
 - Note that a return of excess military service credit deposit was made; and
 - Indicate how the return was paid (that is, "included in salary for pay period ending..."; or "paid by check and symbol numbers..., dated...").
 3. All paid-in-full redesignated military service credit deposit SF 2806's must be closed and held by the agency until separation. Upon separation, forward the SF 2806's to OPM, covered by an SF 3103 (Register of Separations and Transfers). Use the procedures otherwise used to close and submit "paid in full" military deposit service SF 2806's (see Chapter 23 for procedures).
- NOTE: A redesignated SF 2806 that supports a return payment must be submitted to OPM under cover of a separate SF 3103. Do not intermingle them with regular retirement submissions to OPM.
-
- E. Handling Employee Request for Reconsideration**
- Upon receipt of a request for reconsideration of an agency decision to deny a return of excess deductions or to certify that the employee is not entitled to a return of excess deductions, the agency must send OPM copies of the following:
1. The return application (OPM Form 1562);
 2. A copy of the initial decision given to the employee;
 3. The employee's request for reconsideration;
 4. Each SF 50 (or equivalent) showing an appointment or separation;

Section 33A4.1-2 Agency Responsibility (Cont.)

- E. Handling Employee Request for Reconsideration (Cont.)**
5. The SF 50 (or equivalent) showing the effective date of FERS coverage;
 6. Documentation of all LWOP in excess of 6 months in any calendar year; and
 7. Name and phone number of the agency contact for additional information about the case.

The above information must be sent to:

**Office of Personnel Management
Agency Services Division
FERS Reconsideration Request
P.O. Box 57
Washington, DC 20044**

NOTE: OPM notifies the agency of its decision on an employee's request for reconsideration.

Section 33A4.1-3 OPM Responsibility

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|------------------------------------|---|
| A. Procedure | <ol style="list-style-type: none">1. OPM computes the amount of return due the employee based on records in file and any received from the current employing agency.2. If OPM determines that the employee is not eligible for a return of excess deductions, it informs the employee of his or her reconsideration rights. |
| B. Authorization of Payment | <hr/> <p>When an agency determines that an applicant may be entitled to a return of excess military deposit, but does not have all the necessary records pertaining to the individual's military service deposit account, it sends the return application to OPM for processing. If the employee is entitled to a return, OPM authorizes the payment to the employee.</p> <hr/> |

Section 33A4.1-4 Advice to Employee

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|---|---|
| A. Federal Income Tax Information | The Internal Revenue Service (IRS) has stated that excess deductions are not subject to Federal income tax. Consult the IRS for information about <u>the taxation of the interest portion of a return of excess contributions.</u> |
| B. Automatic Refund of Excess Deductions | Upon retirement from Federal service, if the retiree has not applied for a return of excess deductions, OPM automatically refunds the excess when the retirement is adjudicated. The excess amount is not part of the alternative annuity lump-sum payment. |
-

Subchapter 33B

Section 33B1.1-1 Job Aids

This section includes the following job aids:

- Application for Return of Excess Retirement Deductions, SF 1562 (for local reproduction)
- Copy of Sample Denial Letter

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APPLICATION FOR RETURN OF EXCESS RETIREMENT DEDUCTIONS FEDERAL EMPLOYEES RETIREMENT SYSTEM									
To avoid delay in payment: (1) Complete application in full; (2) Typewrite or print in ink; (3) Read the information on the back of this form.									
1. Name (last, first, middle)		2. Date of Birth (Month, day, year)		3. Social Security Number		4. Are you a citizen of the United States of America		Yes <input type="checkbox"/> No <input type="checkbox"/>	
5. List all other names you have used (including maiden name, if applicable)				6. Previous applications filed (Indicate by "x")		Retirement Annuity <input type="checkbox"/> Refund <input type="checkbox"/>		Deposit <input type="checkbox"/>	
7. List below all of your civilian and military service for the United States Government		Periods of Service		Indicate whether retirement deductions were withheld from your salary (Check One)		Have you paid deposit for any period, including military service? (Check One)			
Department or Agency (including bureau, branch, or division where employed)		Beginning Date		Ending Date		Withheld		Not Withheld	
8. Indicate below whether you wish to have Federal income tax withheld from the interest portion of your payment: <input type="checkbox"/> Withhold Federal income tax from the interest portion of my payment. <i>If you elect withholding, the amount withheld will be 10% of the total interest payable.</i> <input type="checkbox"/> Do not withhold Federal income tax from the interest portion of my refund payment.				FEDERAL TAX WITHHOLDING--Although the return of excess contributions is not subject to Federal income tax, any interest paid on your contributions is taxable in the year that it is paid. If you elect not to have Federal tax withheld, or if you do not have enough Federal tax withheld, you may be responsible for payment of estimated tax. In addition, you may incur penalties under the estimated tax rules if your withholdings and estimated tax payments are not sufficient.					
9. APPLICATION CERTIFICATION I hereby certify that all statements in this application, including any information I have given on the back, are true to the best of my belief and knowledge and that the tax withholding election made here reflects my wishes.				PRIVACY ACT STATEMENT--Public Law 99-335, Federal Employees Retirement System Act, authorizes solicitation of this information. The data you furnish will be used to determine your eligibility to receive a return of excess retirement deductions.					
Your Signature (Do not print)				This information may be shared with national, state, local, or other charitable or social security administrative agencies to determine and issue benefits under their programs, or with law enforcement agencies when they are investigating a violation or potential violation of the civil or criminal law.					
WARNING--Any intentional false statement in this application or willful misrepresentation relative thereto is a violation of the law punishable by a fine of not more than \$10,000 or imprisonment of not more than 5 years, or both. (18 U.S.C. 1001)				Executive Order 9397 (November 22, 1943) authorizes use of the Social Security Number to distinguish you and people with similar names. Furnishing your Social Security Number, as well as other data, is voluntary, but if you do not do this, OPM may be unable to determine your eligibility to receive a return of excess retirement deductions.					
10. ADDRESS FOR MAILING REFUND CHECK Number and Street City, State, and ZIP Code				WHERE TO FILE YOUR APPLICATION					
Telephone Number (including area code)				1. If you are employed or have been separated 30 days or less, forward this application to the office in which you were last employed.					
WE CANNOT AUTHORIZE PAYMENT IF THIS ADDRESS IS ERASED OR OTHERWISE CHANGED				2. If you have been separated more than 30 days and want a refund of your total deductions, use form SF 3106; otherwise, forward this application to the Office of Personnel Management, Federal Employees Retirement System, P.O. Box 45, Employee Service and Records Center, Boyers, PA 16017.					
NOTE: This application should not be offered to a financial institution or other person as collateral or security for a loan. An employee must apply for payment personally any payment must be made directly to him or her. However, outstanding debts to the U.S. Government can, at the Government's request, be withheld from a payment provided all legal requirements are met.				See back of this form for important information concerning your application for return of excess retirement deductions.					

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Return of Excess Contributions

Chapter 33

FERS 29

Instructions to Employee

Do not complete this application if you had more than 5 years of civilian service as of the effective date of your FERS coverage. (Service after 1983 covered by **both** CSRS and Social Security deductions does not count toward the 5 year limit. Do count refunded service and service not covered by CSRS deductions.) The notice of personnel action concerning your transfer to FERS will generally indicate if you are eligible for a refund. If your personnel office determines that you are not eligible for a return of excess deductions because you had 5 years of creditable civilian service, your application will be returned to you and your service will be credited under the Civil Service Retirement System. You may request, in writing, for your personnel office to reevaluate your application if you believe you have less than 5 years of creditable civilian service. If your agency again determines that you are not eligible for a return of excess deductions, OPM will reconsider your application.

If you have less than 5 years of creditable civilian service (excluding service after 1983 that was simultaneously subject to both CSRS and Social Security deductions) on the effective date of your FERS coverage, you may request a return of any excess military deposit you may have made as well as any excess CSRS deductions. Your service will still be credited under FERS. You may elect a return while you are an employee. Use this form to elect such a return. By law, interest is not paid on excess military deposits. In transfer cases, interest is paid on excess civilian deductions at a rate of 3% through 1984 and an annually variable rate thereafter.

The variable rates are listed below:

1985	13%
1986	11.125%
1987	9%
1988	8.375%
1989	9.125%
1990	8.75%
1991	8.625%

Part 2 - To be completed by employing office

Instructions to Employing Office

Review service listed in item #7 on the front of this form and the applicant's personnel folder and complete the following:

1. Eligibility for Return of Excess Contributions

	Years	Months	Days
1 a. Total civilian service subject to full CSRS or Foreign Service Retirement deductions			
1 b. Total creditable civilian service not subject to retirement deductions (other than Social Security)			
1 c. Enter total of 1a. and 1b. (exclude service subject to Social Security and partial retirement deductions)			
1 d. Does item 1c. show at least 5 years service? <input type="checkbox"/> No → Employee is entitled to return of excess deductions <input type="checkbox"/> Yes → Employee is not entitled to a return of excess deductions. Return application to employee.	Effective date of FERS coverage		
3. I certify that this individual has less than 5 years of creditable civilian service (excluding service after 1983 subject to both CSRS and Social Security coverage), is covered by FERS, and is eligible for this refund.			
Signature		Date	

Part 3 - Instructions to Payroll Office

Please forward the original of this application along with the employee's redesignated civilian or military SF 2806 to OPM under cover of a FERS Register of Separations and Transfers (SF 3103) separate from regular SF 3103's. Do not intermingle these retirement records with other FERS retirement records being sent to OPM. For additional information, see FPM Supplement 830-1, Chapter 33.

Amount of excess military deductions paid by the Payroll Office: \$_____.

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Copy of Sample Denial Letter

Agency Letterhead

(Date)

(Name and Address of Employee)

Dear (Name):

We cannot approve your application for a return of excess retirement deductions because a review of your personnel records indicates that you have at least 5 years of civilian service creditable under the Civil Service Retirement System (CSRS). Section 302(c) of the Federal Employees Retirement System (FERS) Act of 1986 permits refunds of the difference between the CSRS deductions paid and the 1.3% FERS deductions only in cases where the transferring employees have less than 5 years of civilian service creditable under CSRS. Congress provided for the return of excess deductions because transferring employees who have less than 5 years of creditable civilian service will have all of their service counted under the FERS basic annuity formula, which is not as generous as the CSRS formula.

While our records indicate that you are not eligible for a return of excess deductions, the fact that you have at least 5 years of creditable civilian service under CSRS means that you have earned a CSRS benefit that will be transferred to FERS as outlined on pages 25 and 26 of the FERS Transfer Handbook. Both your past military and civilian service may be credited under the rules outlined in the Handbook. Remember that CSRS credits are more valuable than FERS credits, so the fact that you are not eligible for a return may not be adverse to your interests.

If you believe that our determination that you have 5 years of civilian CSRS service is incorrect, you may request reconsideration of this decision. A request for reconsideration must be in writing and filed within 30 days of the date of this letter. Your request must include a copy of this letter and your Application for Return of excess Deductions. Requests for reconsideration must be submitted to:

**(Insert Name and Address of Personnel Office Employee
designated to receive requests)**

If you request reconsideration, we will again review your personnel records. If our finding remains unchanged, we will forward the documentation upon which it was based to the Office of Personnel Management (OPM) where your application will be reconsidered. OPM will notify you of their decision directly.

Sincerely,

(Signature and Title of Personnel
Office Employee issuing the decision)